

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

SP-02 LAB-04 SIL-01 OMB-01 NSC-05 IO-14 PA-02

PRS-01 ABF-01 /090 W

-----030151 081253Z /17

P R 080947Z AUG 77

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 6378

TREAS DEPT WASHDC PRIORITY

INFO AMCONSUL FLORENCE

AMCONSUL GENOA

AMCONSUL MILAN

AMCONSUL NAPLES

AMCONSUL PALERMO

AMCONSUL TURIN

AMEMBASSY BRUSSELS

AMEMBASSY PARIS

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USEEC, USOECD DEPARTMENT PASS FRB

E.O. 11652 : N/A

TAGS: EFIN IT IMF

SUBJ: PRESS LEAK OF IMF LETTER TO TREASURY MINISTER STAMMATI

1. /SUMMARY/: ON AUGUST 6, TURIN'S "LA STAMPA" CARRIED REPORT OF LETTER TO TREASURY MINISTER STAMMATI ALLEGEDLY FROM IMF MANAGING DIRECTOR WITTEVEEN WHICH WAS SAID TO BE CRITICAL OF GOI STABILIZATION EFFORT, ESPECIALLY AS REGARDS CONTROL OVER BUDGET EXPENDITURES. STAMMATI THEN ISSUED PRESS COMMUNIQUE WITH TEXT OF LETTER TO SHOW THAT IT HAD ACTUALLY BEEN FROM CHIEF OF EUROPEAN DEPARTMENT OF IMF, ALAN WHITTOME, AND WAS NOT ENTIRELY CRITICAL. PRESS COMMENT SO FAR, WHILE ACKNOWLEDGING THAT WHITTOME LETTER LAUDS GOI FOR PROGRESS TO DATE, ALSO POINTS OUT THAT LETTER UNCLASSIFIED

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CONSTITUTES FRIENDLY WARNING FROM IMF TO ITALY TO PERSEVERE IN STABILIZATION EFFORT AND ESPECIALLY TO GET PUBLIC EXPENDITURES UNDER BETTER CONTROL. RELEASE OF TEXT OF WHITTOME LETTER, BESIDES SHOWING FAVORABLE IMF COMMENTARY ON GOI EFFORT TO DATE, MAY ALSO SERVE TO STRENGTHEN STAMMATI'S HAND WITHIN GOVERNMENT AND PARLIAMENT IN AVOIDING LARGE NEW SPENDING EFFORT WHICH COULD RE-IGNITE INFLATION BEFORE FIRST STAGE OF STABILIZATION PROGRAM

HAS HAD TIME TO WORK. BELOW ARE TEXTS OF THREE DOCUMENTS.
END SUMMARY/.

2. FRONT-PAGE ARTICLE IN TURIN'S "LA STAMPA "AUGUST 6
HEADLINES "WARNING FROM MONETARY FUND TO ITALY WHICH SPENDS
TO MUCH ". ARTICLE REPORTS THAT IMF MANAGING DIRECTOR JOHANNES
WITTEVEEN, IN LETTER TO TREASURY MINISTER STAMMATI, EXPRESSED
CONCERN ABOUT PUBLIC SPENDING IN ITALY. ARTICLE CLAIMED THAT
IMF WAS WORRIED THAT 1977 CEILING ON CASH BUDGET EXPENDITURES
OF 55,350 BILLION LIRE WOULD BE BREAKED AND THAT CEILING
OF 7 PERCENT INCREASE IN CENTRAL GOVERNMENT EXPENDITURES IN 1978
APPROPRIATIONS BUDGET WOULD ALSO NOT BE RESPECTED. REPORTEDLY
STAMMATI HIMSELF IN LATE JULY AT PRESENTATION OF THIRD QUARTERLY
REPORT TO PARLIAMENT ON CASH BUDGET FOR 1977, INDICATED THAT
EXPENDITURE LEVEL THIS YEAR WOULD BE 56,000 BILLION LIRE , I.E.
SOMEWHAT IN EXCESS OF IMF TARGET. SIMILARLY, ARTCILE CLAIMS
THAT FIRST DRAFT OF 1978 APPROPRIATIONS BUDGET., WHICH IS STILL
UNDER PREPARATION, COHTAINS EXPENDITURE FIGURE OF 62,000
BILLION LIRE, I.E., 12 PERCENT ABOVE 1977 TARGET AND , THREFORE,
WELL IN EXCESS OF 7 PERCENT IMF CEILING. "LA STAMPA "MENTIONS
SEVERAL RECENT LAWS INVOLVING LARGE NEW EXPENDITURES (I.E.,
FOR YOUTH EMPLOYMENT AND PUBLIC HOUSING) AS RAISING FURTHER
DOUBTS ABOUT ITALY'S ABILITY TO MEET 1977 CASH BUDGET AND 1978
APPROPRIATIONS BUDGET TARGETS . ARTICLE SPECULATES THAT GOI
MAY HAVE TO RENEGOTIATE EXPENDITURE CEILINGS WITH IMF.
(MORE)

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SP-02 LAB-04 SIL-01 OMB-01 NSC-05 IO-14 PA-02
PRS-01 ABF-01 SS-15 /105 W
-----030243 081252Z /10

P R 080947Z AUG 77
FM AMEMBASSY ROME
TO SECSTATE WASHDC PRIORITY 6379
TREAS DEPT WASHDC PRIORITY
INFO AMCONSUL FLORENCE
AMCONSUL GENOA
AMCONSUL MILAN
AMCONSUL NAPLES
AMCONSUL PALERMO
AMCONSUL TRIESTE
AMCONSUL TURIN

AMEMBASSY BRUSSELS
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....WITH IMF.

3. TEXT OF WHITTOME LETTER(EMBASSY TRANSLATION OF ITALIAN VERSION WHICH WAS PRESUMABLY TRANSLATED FROM AN ORIGINAL ENGLISH TEXT:) BEGIN QUOTE. DEAR MR.MINISTER: WE HAVE BEEN FOLLOWING WITH INTEREST DEVELOPMENTS IN THE ITALIAN ECONOMY . THE VIEWS OF OBSERVERS INSIDE ITALY AND OF THOSE OUTSIDE ITALY ARE ALWAYS DIFFERENT. AS VIEWED FROM ABROAD, I AM MUCH IMPRESSED WITH THE PROGRESS MADE TO DATE TOWARD ACHIEVING INTERNAL AND EXTERNAL EQUILIBRIUM. EVIDENCE OF THIS, WHICH HAS BEEN PARTICULARLY COMMENTED UPON, IS THAT BANKING CIRCLES ARE AGAIN BEGINNING TO CONSIDER ITALIAN BUSINESSMEN TO BE GOOD CLIENTS. THE GOVERNMENT, AND YOU AND GOVERNOR BAFFI IN PARTICULAR, DESERVE CREDIT FOR THE SUCCESSES WHICH HAVE BEEN ACHIEVED. OBSERVING FROM INSIDE ITALY, YOUR WILL HAVE BEEN SO PREOCCUPIED WITH PROBLEMS AS TO HAVE UNCLASSIFIED

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HAD LITTLE TIME TO REFLECT UPON WHAT HAS BEEN ACHIEVED. I HOPE THAT YOU WILL NOT THINK IT PRESUMPTUOUS OF ME IF I ASSURE YOU THAT MUCH HAS BEEN DONE.

4. HOWEVER, YOU MUST FORGIVE ME, IF ONLY DUE TO THE FACT THAT PROFESSIONALLY I CAN NEVER CONSIDER MYSELF FULLY SATISFIED WHEN I MENTION A CERTAIN NUMBER OF AREAS IN WHICH I AM SURE CONSIDERABLE PRELIMINARY WORK HAS BEEN CARRIED OUT BUT WHERE ACTION HAS NOT YET BEEN COMPLETED NOR FORMALLY IMPLEMENTED. FOR ME THE AREA OF MAJOR CONCERN IS THE FINANCIAL SITUATION OF THE ENLARGED PUBLIC SECTOR. I RECALL THAT THERE WAS COMPLETE AGREEMENT AMONG US CONCERNING THE NEED TO ASSURE A RAPID AND SIGNIFICANT IMPROVEMENT IN THIS FIELD, BOTH THROUGH CONTROL OF SPENDING AND THROUGH AND INCREASE IN REVENUES. I AM ENCOURAGED TO SEE THAT UPON YOUR INSISTENCE THIS SUBJECT HAS BEEN EXPLICITLY RECOGNIZED IN THE COMMON PROGRAM OF THE POLITICAL PARTIES.

5. I REALIZE THAT TIME WILL BE NEEDED TO FULLY ACHIEVE THIS OBJECTIVE, BUT IT WOULD BE USEFUL AND CONSTRUCTIVE IF ADDITIONAL TANGIBLE PROGRESS COULD BE MADE AS SOON AS POSSIBLE. IN PARTICULAR I HAVE IN MIND: THE INSTITUTION OF CASH BUDGETS FOR ALL THE MAJOR ENTITIES IN THE PUBLIC SECTOR, WHICH WOULD GREATLY FACILITATE EFFECTIVE CONTROL OVER THEIR EXPENDITURES; CONTINUED DETERMINED EFFORTS TO PREVENT ANY FURTHER ACCUMULATION OF UNSPENT APPROPRIATIONS AND, BETTER, THE BEGINNING OF THEIR GRADUAL ELIMINATION; CAREFUL CONTROL OF EXPENDITURES IN CONNECTION WITH PREPARATION OF THE 1978 BUDGET IN AN EFFORT TO ELIMINATE OR REDUCE VARIOUS BUDGETED ITEMS AND LIMIT THE RATE OF GROWTH OF EXPENDITURES TO THE 7 PERCENT CEILING SPECIFIED IN THE LETTER OF INTENT, POSSIBLY ACCOMPANIED BY A FREEZE ON HIRINGS AT ALL LEVELS

OF GOVERNMENT; AND ABOLITION OF THOSE STATE ENTITIES WHICH
NO LONGER CARRY OUT ANY USEFUL FUNCTION. I MUST ADD THAT IFELT
UNEASY AT THE ANNOUNCEMENT OF RECENT MEASURES PROVIDING FOR NEW
EXPENDITURES, WHICH WILL MAKE THE OBSERVANCE OF THE SPENDING
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LIMITS WHICH HAVE BEEN FIXED FOR 1977 AND THOSE WHICH WILL BE
NECESSARY FOR 1978 MORE DIFFICULT.

6. MEASURES TO INCREASE REVENUES WOULD ALSO BE WELCOME,
PARTICULARLY AS REGARDS LOCAL GOVERNMENTS, IN ACCORDANCE WITH THE
GUIDELINES INDICATED IN THE LETTER OF INTENT. IT ALSO SEEMS
THAT THE TIME HAS COME TO PROHIBIT ACCESS TO SHORT-TERM BANK
CREDIT BY THE HEALTH INSTITUTES. I AM SURE THAT MEASURES IN THIS
AREA ARE ALREADY UNDER PREPARATION . HOWEVER, FROM MY OBSERVATION
POINT A REDUCTION IN THE FOREIGN CONSTRAINT AND A LESSENING OF
IMMEDIATE POLITICAL PROBLEMS PERHAPS PROVIDE THE OCCASION FOR
PROCEEDING MORE ENERGETICALLY IN THIS AREA. I FEAR THAT SUCH
PROBLEMS COULD EASILY BECOME MORE DIFFICULT TO RESOLVE AS TIME
PASSES. MOREOVER, AS LONG AS THEY REMAIN UNRESOLVED A SUTAINED
IMPROVEMENT IN ECONOMIC PROSPECTS REMAINS ILLUSORY. I SEE
A PARTICULAR LINK BETWEEN THE PROGRESSIVE REDUCTION IN THE SIZE
OF THE ENLARGED PUBLIC SECTOR DEFICIT AND THE POSSIBILITY
OF ALLOWING A RELAXATION OF CREDIT AVAILABLE TO THE PRIVATE
SECTOR.
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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00
FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 IO-14
PA-02 PRS-01 ABF-01 SS-15 /105 W
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P R 080947Z AUG 77

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 6380

TREAS DEPT WASHDC PRIORITY

INFO AMCONSUL FLORENCE

AMCONSUL GENOA

AMCONSUL MILAN
AMCONSUL NAPLES
AMCONSUL PALERMO
AMCONSUL TURIN
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7. I AM AWARE THAT WHAT REMAINS TO BE DONE IS A MOST DIFFICULT ECONOMIC AND POLITICAL TASK.

8. PLEASE EXCUSE ME, MR. MINISTER, FOR ASKING YOU TO READ ABOUT MATTERS WHICH ARE ALREADY QUITE WELL KNOWN TO YOU AND FOR CONVEYING TO YOU IDEAS WHICH YOU, YOURSELF, HAVE NERGETICALLY SUPPORTED. MY ONLY EXCUSE IS THE PROFOUND PROFESSIONAL AND PERSONAL CONCERN WHICH MY COLLEAGUES AND I HAVE THAT THE SUCCESS OF YOUR PROGRAM SHOULD IMPROVE THE PROSPECTS FOR THE ITALIAN ECONOMY AND, THEREFORE, FOR ITALY ITSELF. IT IS THE DEEP DESIRE TO BE OF HELP TO ALL OF YOU WHICH EXPLAINS MY CONCERN. WITH ALL BEST WISHES, SINCERELY YOURS, L. A. WHITTOME. END QUOTE.

9. TEXT OF STAMMATI PRESS COMMUNIQUE (EMBASSY TRANSLATION UNCLASSIFIED

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FROM ITALIAN ORIGINAL): BEGIN QUOTE. IN THE FACE OF DISTORTED INTERPRETATIONS GIVEN TO A PERSONAL LETTER FROM MR. ALAN WHITTOME, CHIEF OF THE EUROPEAN DEPARTMENT OF THE INTERNATIONAL MONETARY FUND, WHICH WERE ERRONEOUSLY ATTRIBUTED TO THE MANAGING DIRECTOR OF THAT INSTITUTION, JOHANNES WITTEVEEN, THE MINISTER OF THE TREASURY REGRETFULLY FEELS OBLIGED TO RELEASE THE FULL TEXT OF A CONFIDENTIAL LETTER IN ORDER TO DISCLOSE THE FULL TRUTH CONCERNING THE OPINIONS OF FUND OFFICIALS AND TO DEMONSTRATE THE CORRECTNESS OF RELATIONS BETWEEN THAT ORGANIZATION AND THE ITALIAN GOVERNMENT. END QUOTE.

10. TEXT OF TELEGRAM SENT BY MINISTER STAMMATI TO WHITTOME (EMBASSY TRANSLATION FROM ITALIAN): BEGIN QUOTE. DEAR MR. WHITTOME: AN ITALIAN NEWSPAPER HAS PUBLISHED EXTRACTS FROM YOUR LETTER OF JULY 26, ATTRIBUTING THEM TO MANAGING DIRECTOR WITTEVEEN, WHICH GIVE A DISTORTED IMPRESSION. I DO NOT KNOW THE SOURCES OF THIS LEAK. HOWEVER, IT SEEMS TO ME NECESSARY TO RELEASE THE FULL TEXT OF THE LETTER WHICH YOU SENT ME. I HOPE THAT YOU WILL INDERSTAND AND PARDON ME FOR DOING SO. END QUOTE.HOLMES

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TREASURY, PRESS COMMENTS, NEWS LEAKS, DIPLOMATIC COMMUNICATIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 08-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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Office: ACTION EB
Original Classification: UNCLASSIFIED
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Original Previous Handling Restrictions: n/a
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Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1674040
Secure: OPEN
Status: NATIVE
Subject: PRESS LEAK OF IMF LETTER TO TREASURY MINISTER STAMMATI
TAGS: EFIN, IT, US, IMF
To: STATE TRSY
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/7f18dd5f-c288-dd11-92da-001cc4696bcc
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22 May 2009
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